DEVEN CHOKSEY RESEARCH

Q4 FY25E Life Insurance Earnings Preview

Result Preview

02nd April 2025

Life Insurance

Seasonal tailwinds and product diversification to drive growth in Q4FY25E

COVERAGE STOCKS

Coverage	CMP	Target (INR)	Upside (%)	Recom.
HDFC Life Insurance Company Ltd	693	820	18.3	BUY
ICICI Prudential Life Insurance Company Ltd	569	625	9.8	HOLD
SBI Life Insurance Company Ltd	1,545	1,901	23.0	BUY

MARKET DATA

	Close	1M (%)	YTD (%)
Nifty	23,166	4.7	(2.0)
Sensex	76,025	3.9	(2.7)
Nifty Fin. Services	24,529	6.5	4.3
USD / INR	85.629	(2.1)	0.1

Note: TP and recommendation have been retained from previous update reports; we will review it post detailed Q4FY25E results analysis and conference call of the said companies.
Source: Bloomberg, NSE; Data as of 01st April, 2025

SECTOR OVERVIEW

- The life insurance sector is poised to deliver a strong performance in Q4FY25E, supported by a seasonal surge in new business volumes and steady growth in renewal premiums. However, margins are expected to remain broadly stable or may see slight compression due to product mix and pricing dynamics.
- The life insurance sector is expected to deliver a strong performance in Q4FY25E, with Gross Written Premiums (GWP) rising by 22.7% YoY and 37.0% QoQ, driven by a surge in both renewal and new business premiums. The sequential acceleration reflects the seasonally strong quarter, supported by focused channel activity and new product rollouts.
- We expect new product launches to remain a key strategic lever for life insurers in Q4FY25E, aimed at broadening the product suite. Several insurers have focused on expanding offerings in non-par savings, annuity, and protection segments, targeting both retail and affluent customer cohorts.
- We expect digitally-led customer acquisition and onboarding to maintain strong momentum, particularly across tier-2 and tier-3 markets, driving broader reach and improved operational efficiency. While structural growth drivers remain intact, the seasonal nature of the business, along with increased traction in single premium products, is expected to result in a 14.5% QoQ growth and 8.5% YoY growth in APE for Q4FY25E. The underlying business momentum remains robust, supported by continued digital adoption and enhanced productivity across distribution channels.
- For our coverage universe, Value of New Business (VNB) is expected to grow by 13.9% QoQ and 7.5% YoY in Q4FY25E, reflecting strong sequential pickup in business volumes and continued traction in product segments such as protection and non-par savings. Aggregate VNB margins are expected to moderate slightly to 25.5%, contracting by 13 bps QoQ and 23 bps YoY, largely due to margin compression at ICICI Prudential and a marginal shift in product mix toward lower-margin segments.
- Persistency ratios, a key metric of quality and customer stickiness, are expected to improve or remain stable across most insurers. For the leading insurers, 13th-month persistency is expected to remain above 85.0%, while 61st-month persistency may trend upward marginally by ~25- 50 bps, reflecting maturing product cohorts and improving renewal infrastructure.
- From a balance sheet perspective, solvency ratios across the sector are expected to remain strong, well above the 150.0% regulatory threshold. Most private life insurers are likely to report solvency in the range of 180.0–215.0%, providing ample buffer for growth and product expansion.

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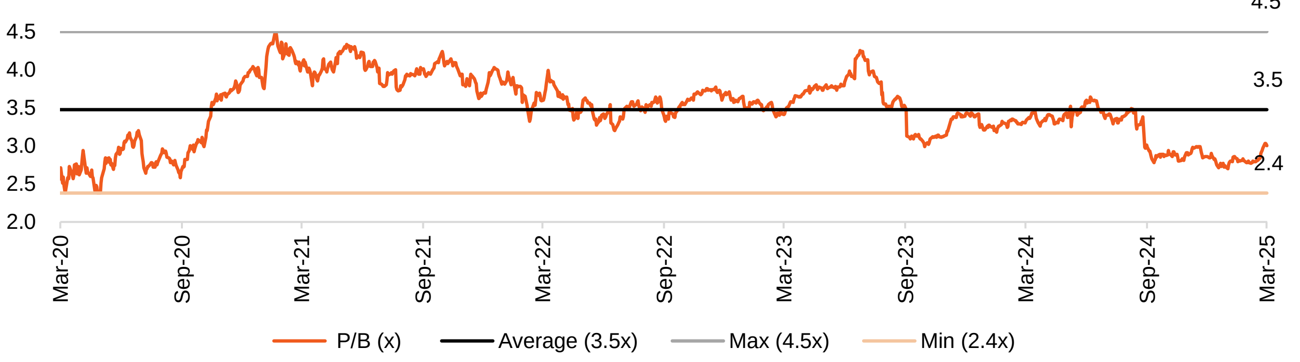
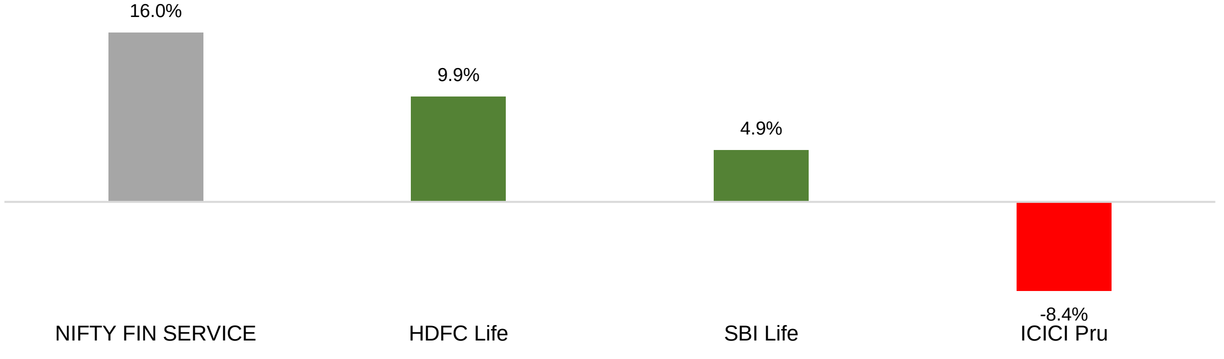
Valuation:

- The life insurance sector remains structurally well-positioned, supported by a clear shift in customer preference toward protection-oriented and guaranteed return savings products. These segments are gaining traction as households seek financial security and income certainty, particularly in a volatile macro environment. As the industry continues to focus on high-margin protection and annuity products, and leverages evolving regulatory support, we believe the life insurance sector is well-placed to deliver sustainable long-term growth, while addressing India's wide protection gap.
- In FY26E, Value of New Business (VNB) growth is expected to broadly track APE expansion, with a strategic shift toward high-margin segments such as protection and annuity products. Among key players under our coverage:
    - SBILIFE is aiming to sustain VNB margins in the 27.0–29.0% range in FY26E, supported by favorable reinsurance pricing and ongoing product innovation.
    - HDFCLIFE is well-positioned to stabilize or expand margins, driven by improving persistency, higher ULIP attachment rates, and operating leverage.
    - ICICI Prudential Life is targeting mid-teen VNB growth, although near-term margin performance may be impacted by its evolving product mix.
- From a valuation standpoint, the sector continues to trade at a discount to historical levels. For FY27E, the average P/EV multiple for our coverage universe stands at 1.5x, well below the 5-year historical average of 3.3x, offering favorable risk-reward for long-term investors.
- **We maintain a positive view on HDFC Life and SBI Life, supported by their strong brand equity, diversified product portfolios, and consistent execution capabilities, which position them well to capture market share and drive sustainable long-term growth in an underpenetrated and evolving insurance landscape.**

Nifty Financial Services P/B and 5-Year Average



Coverage stock returns 1 Year



Source: NSE

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Exhibit 1: Quarterly result expectation for companies under coverage

Q4FY25E (INR in Mn)	Outperform	Base	Underperform	View
HDFCLIFE				
Gross Written Premium (GWP)	275,964	267,926	259,888	• We expect a 28.0% YoY (+55.1% QoQ) growth in GWP. The growth will be driven by a healthy growth in renewal premiums, while new business premium segment is expected to see a 18.7% YoY growth during the quarter. • In the base case, Annualized Premium Equivalent (APE) is projected to grow by 7.5% YoY and 42.5% QoQ, with a ±3% deviation range, driven by broad-based recovery across channels and improving momentum in the single premium category. • VNB margins are estimated at 25.6% in the base case, slightly lower than 26.1% a year ago, due to a marginal shift in product mix. In an underperforming scenario, margins are expected to remain stable at 25.0%.
Annualized Premium Equivalent (APE)	52,327	50,802	49,278	
Value of New Business (VNB)	13,082	12,987	12,073	
VNB Margins	25.0%	25.6%	24.5%	
AUM (INR in Bn)	3,552	3,448	3,345	
IPRU				
Gross Written Premium (GWP)	197,635	188,224	178,813	• In the base case, we expect GWP to grow by 24.2% YoY and 48.7% QoQ, driven by a robust 45.0% YoY growth in NBP. The renewal premium segment is expected to grow by 7.7% YoY. • In the base case scenario, we expect APE to grow by 10.2% YoY/ 63.4% QoQ, supported by a strong 55.5% YoY growth in the single premium segment. The sharp sequential uptick reflects seasonally strong business momentum in Q4. We factor in a potential deviation of ±5.0%, depending on the actual traction in high-ticket single premium policies and channel performance across bancassurance and agency segments. • IPRU is expected to report VNB margins at 22.8% in Q4FY25E, reflecting an improvement of 132 bps YoY and 158 bps QoQ. The margin expansion is driven by a slight improvement in the product mix, with an improving share of non-par and protection segments.
Annualized Premium Equivalent (APE)	41,832	39,840	37,848	
Value of New Business (VNB)	9,830	9,077	8,326	
VNB Margins	23.5%	22.8%	22.0%	
AUM (INR in Bn)	3,261	3,197	3,133	
SBILIFE				
Gross Written Premium (GWP)	311,032	296,221	281,410	• In the base case, we expect Gross Written Premiums (GWP) to grow by 17.4% YoY and 18.5% QoQ, supported by strong traction in renewal premiums and a robust 21.8% YoY growth in New Business Premiums (NBP). • We anticipate Annualized Premium Equivalent (APE) to grow by 8.1% YoY (-17.0% QoQ) in Q4FY25E. The YoY growth will be primarily driven by a strong 27.8% YoY increase in the single premium segment, reflecting healthy traction in lump-sum product offerings. • We expect VNB margins to see a contraction of 95 bps YoY but an improvement of 43 bps QoQ at 27.4% in a base-case scenario. In an underperformance scenario, VNB margins could moderate to 26.5%, while in an outperformance scenario, margins could expand by 55 bps QoQ.
Annualized Premium Equivalent (APE)	60,502	57,621	54,740	
Value of New Business (VNB)	16,638	15,777	14,506	
VNB Margins	27.5%	27.4%	26.5%	
AUM (INR in Bn)	4,550	4,461	4,372	

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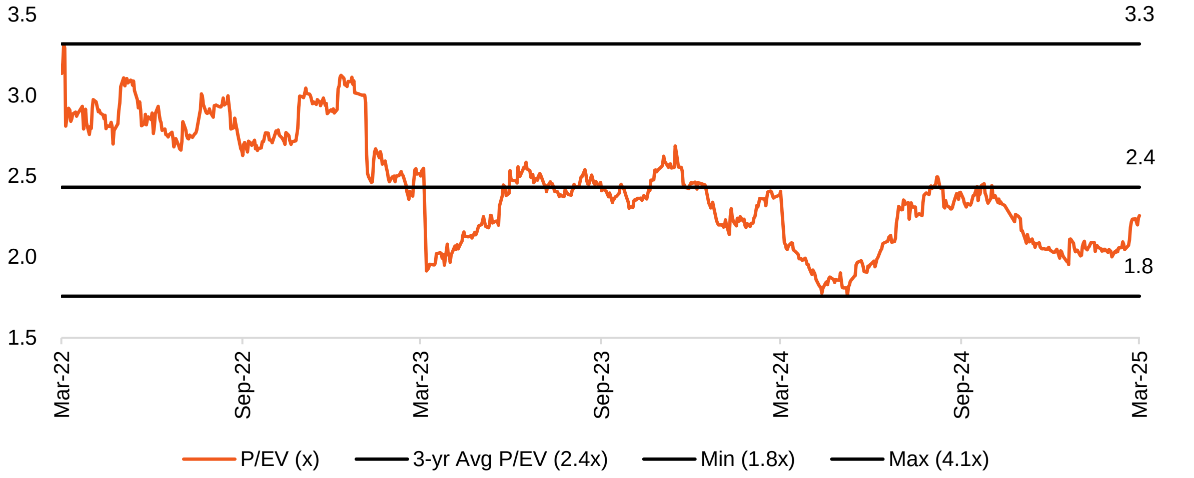
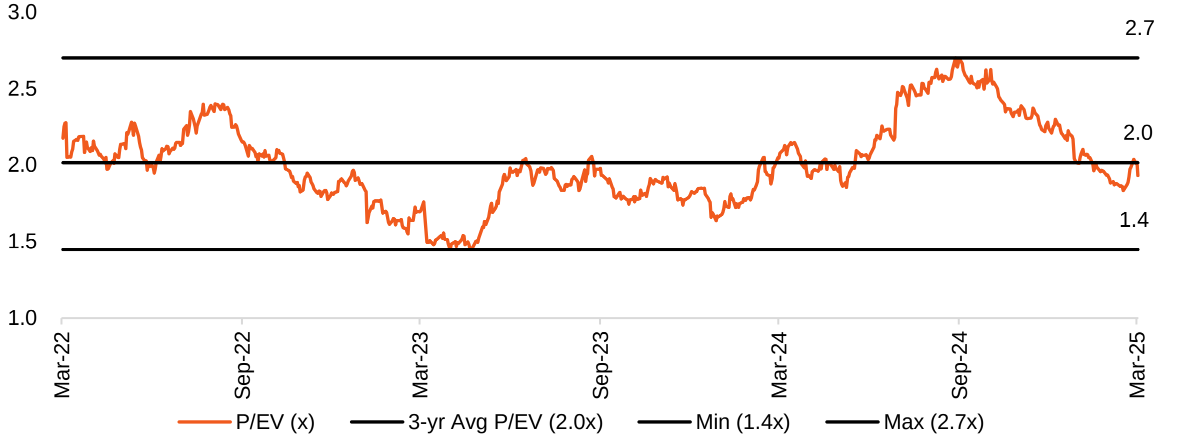
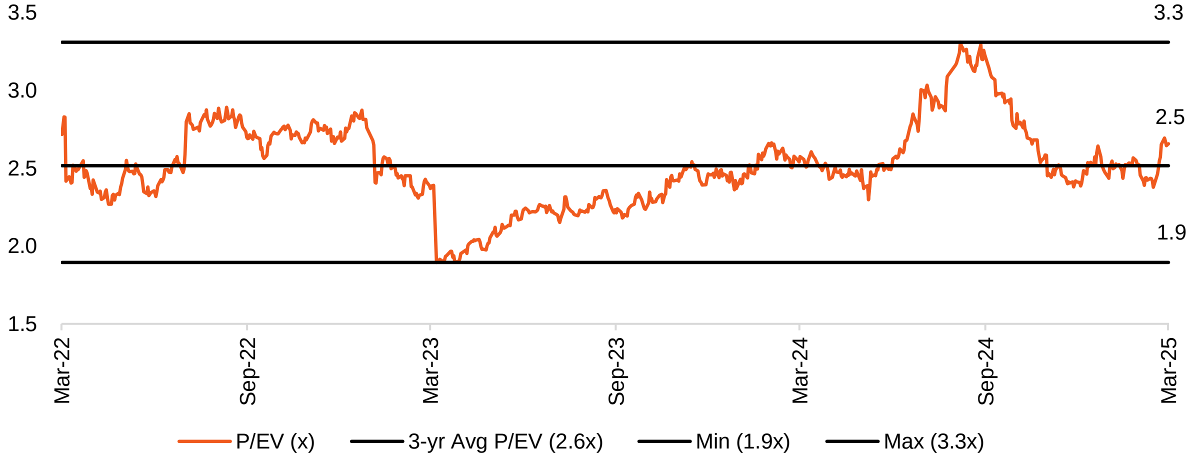
HDFCLIFE P/EV 3 Year Chart



IPRU 3-Yr P/EV Chart



SBILIFE 3-Yr P/EV Chart



Source: NSE, Bloomberg

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Rating Legend (Expected over a 12-month period)	
Our Rating	**Upside**
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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